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Massport

Annual Report

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The annual report of the
Massachusetts Port Authority for the
fiscal year ending June 30, 1983.

*This Annual Report is respectfully dedi-
cated to the Massport Board's outgoing
Vice Chairman — Dr. Arthur Gelb —
whose sound business sense and strong
commitment to community service have
played a major role in shaping Massport
policies for the past seven years.*

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"It's great to be back!"

It is no secret that, for several months during fiscal 1983, Massport had to endure politically turbulent waters. As the storm settled, however, "The Port" emerged stronger and more stable than ever before.

Our outstanding management team remained in place, our unprecedented development program stayed on course, and our overall financial strength — led by Logan Airport — was never better.



Logan International Airport continued to post exceptional and record-breaking performance statistics in passenger traffic and air service. Our most worrisome problem, airport access, gained immediate relief from the new one-way toll collection system and long-term attention from Governor Dukakis' proposal to improve the Central Artery and build a new airport tunnel.

Our seaport strategy continued to pay dividends, as we reduced the port deficit, increased our cargo handling capacity, and encouraged the private sector to recycle our obsolete maritime properties. As we move toward becoming a more dominant port in the region, we are determined to offer more competitive rates and establish greater productivity at our container terminals. These changes, the history of labor relations in the Port of Boston tells us, may not be smooth. Yet, the viability and, indeed, the survival, of the Port depend upon the implementation of modern operating procedures.

Two development projects are worthy of note: BOSCOM and the Massachusetts Technology Center. It is not accidental that the Massport Board, in choosing development options, has favored those which enhance the region's technological leadership. Both of these projects, in their own way, add to the national preeminence of New England's high technology industry.

Finally, at the midpoint in this fiscal year, political stability was established at Massport, a most welcome development for the Authority, its users and investors. This new climate of cooperation between the Commonwealth of Massachusetts and Massport resulted in a most productive relationship on both one-way tolls and the Artery/Tunnel proposal, as well as in Massport's decision to manage the State's new Transportation Building.

On a personal note, I found fiscal 1983 stimulating, revealing, and ultimately rewarding. I appreciate the support of the Massport Board and staff and those outside the agency. In returning to the helm, I must confess: It's great to be back!

Sincerely,



David W. Davis
Executive Director
Massport

A guide to Massport,

Logan International breaks all records.

The world's 15th busiest airport, and the second fastest growing major airport in the U.S., breaks records for passenger traffic and new air service.

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Innovations in noise abatement.

East Boston High School soundproofing is completed and a computerized noise allocation system gets a trial run in the Boston Tower.



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Logan South takes off.

Ground is broken on a pioneering concept, linking high technology and high-speed airfreight facilities.

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Tobin Bridge goes one-way.

Ninety-day tryout of one-way tolls proves a boon to Bridge commuters and Airport users. No revenue loss to Authority; the system gets a permanent green light.

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Central Artery & Third Tunnel.

Concern over restricted access to its airport and seaport prompts Massport support for \$2.2 billion improvements to Artery and new tunnel.

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The Port of Boston.

The deficit drops, cargo capacity rises, new management and marketing initiatives are put into place.

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FISCAL 1983



The Boston Fish Pier moves into the second half of its revitalization.

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Northern Ave. lights up.

BOSCOM, the international showplace for the computer and communications industry, signs valuable leases.

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A new neighbor for the Constitution.

Hoosac Pier gains new lease on life, as plans for recycled use takes shape.

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Hanscom Field spells relief.

Business is up, noise is down at the second busiest airport in New England.

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A+ bond rating.

Strong sustained performance earns Massport superior marks from Standard & Poor's.

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Massport's new home.

Along with other transportation agencies in the state, Massport will soon move its offices to a new State building managed by the Authority.

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Shared success.

Massport continues to provide opportunities, business, and revenue to neighboring communities, women, minorities, and small business.

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The Massport Board.

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Massport Financials.

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Logan International Airport: Climbing to new heights under deregulated skies.



In fiscal 1983 Logan International Airport outperformed the previous fiscal year in every major category.

Passenger traffic rose 10 percent to a record 16.9 million travelers. Air cargo volume outweighed last year's total by 13 percent. A record number of scheduled domestic carriers, 18, and an unprecedented 17 commuter lines operated out of Logan.

Heightened airline competition, combined with a vigorous Massachusetts economy and aggressive airport marketing, produced important new service at the Boston hub. Nine carriers entered the market during fiscal 1983 alone.

A review of calendar 1982 shows that Boston may have been the principal beneficiary of airline deregulation among the nation's largest established airports. Logan grew faster than all but one (Denver) of the country's ten busiest airports, as 11 of Boston's major domestic carriers posted gains in 1982.

For the second consecutive year, Logan continued to serve as co-host of the nation's busiest air route: more than 3 million passengers flew between Boston and New York in calendar 1982.



The world's 15th busiest airport, Logan demonstrated growing international strength with an 8 percent gain in international passengers in fiscal 1983. In testimony to Boston's importance as a gateway, Swissair assigned the world's newest and largest aircraft, the 747-300, to its Boston-Zurich route.

To keep pace with greater use of the airport — which generates 70 cents out of every dollar in Massport revenues — Massport completed a major modernization of Logan's roadway and sign systems and launched an \$18 million renovation of the airport's oldest and busiest terminal.

To assure Logan users improved ground access, Massport firmly supported a new one-way tolls collection system for airport-bound traffic as well as the State's Central Artery-Tunnel proposal.



Logan South: A new American revolution in high tech transportation.

In the spring of 1983, the first spade of dirt was turned at the site of America's first high technology park at a major international airport.

Located on 20 acres of Logan South (formerly Bird Island Flats), the Massachusetts Technology Center is a \$130 million undertaking of Macomber Development Associates. The Center will house dozens of high technology firms in low-rise buildings adjacent to a major airfreight complex being developed by Massport.

The 70-acre cargo site, primed for development by \$12.5 million in Massport-financed infrastructure improvements, has already attracted two quality tenants. Northwest Orient will open a \$4.5 million, 70,000 square foot, modern cargo processing building in the fall of 1984. Federal Express is about to construct a 40,000 square foot, small-package sorting center.



By integrating high technology and high-speed cargo handling facilities, Massport is advancing the region's technological leadership by providing swift, secure access to world-wide markets.

The idea of linking the industry to its major means of transportation is attributed to William Thurston, Chairman of the Massachusetts High Technology Council and President of GenRad, Inc. He explained, "If a computer breaks down, a replacement part can be in the air in ten minutes or less."

In addition to time savings, tenants involved in import-export activity at the Center will realize cost benefits from a Foreign Trade Zone designation Massport secured for the Center.

Nearly one million square feet of space will be available at the Center for research, production, distribution, and offices, complemented by a conference hotel and public "Harborwalk" along the water's edge. The new structures will form a noise buffer, shielding nearby residents from aircraft ground disturbance.



To accommodate Logan's general aviation community, Massport completed construction of a modern terminal at Logan South, offering private and corporate users spacious office and lounge facilities, upgraded services, and direct access to the main airfield.

The new cargo facilities, when fully developed, will double Logan's air-freight handling space, providing capacity for 900 million pounds of shipments by the year 2000.



Noise abatement: New advances against an old problem.



Massport remained actively committed to finding ways to promote the quietest possible operation of Logan International Airport, developing two innovative programs to deal with the long-standing problem of noise.

In September 1983, soundproofing work was completed on classroom areas of East Boston High School under a \$450,000 demonstration project funded by the Federal Aviation Administration and Massport. Scientific acoustical tests showed that soundproofing reduced flyover noise in the classroom dramatically. Classroom disruptions, which previously had caused 17 percent of the school day to be lost, were all but eliminated.

Encouraged by the success of this project, Massport has requested additional FAA funding to sound-proof public schools in the communities of Winthrop, South Boston, and Chelsea.

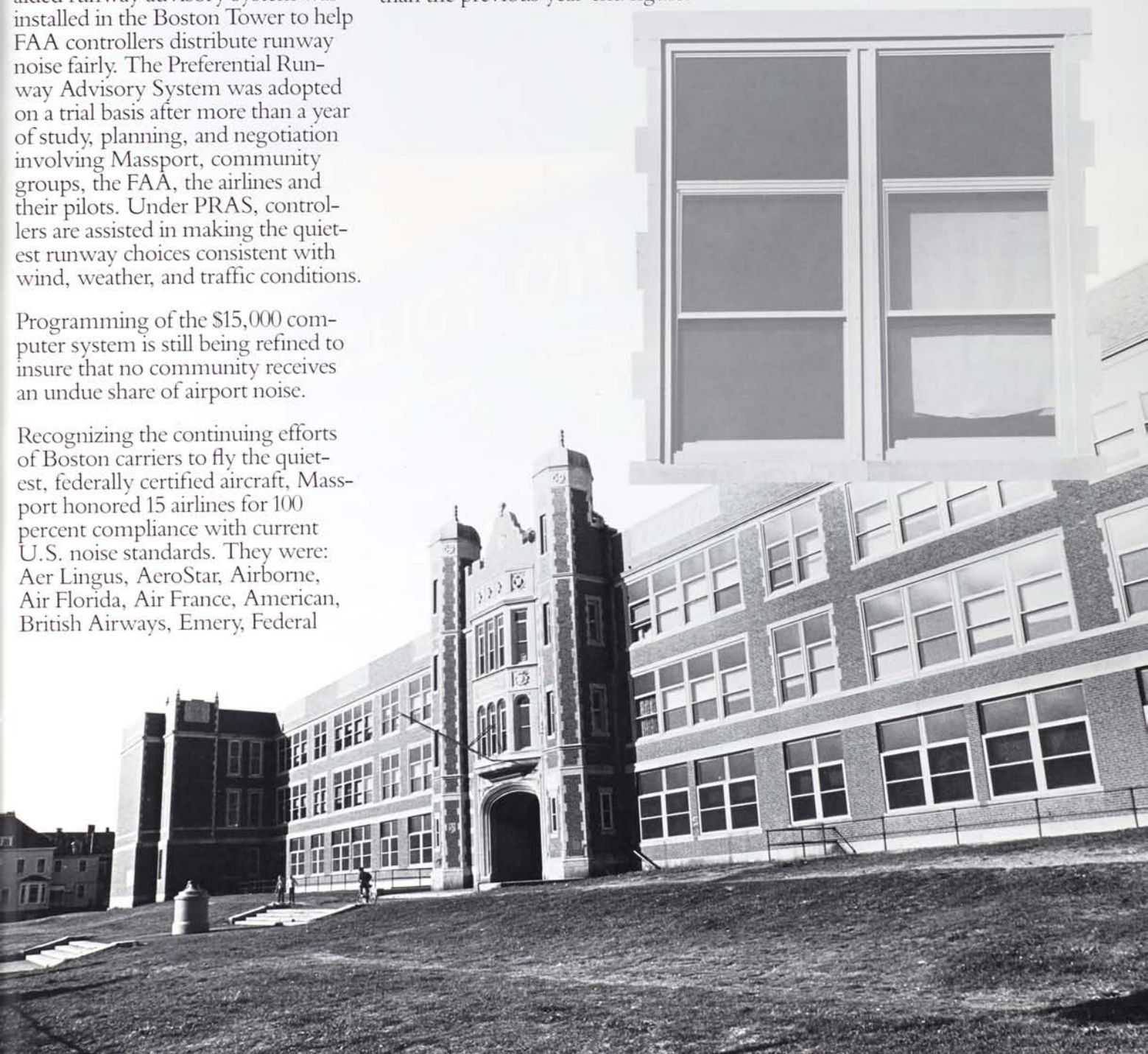
In March 1983, a special computer-aided runway advisory system was installed in the Boston Tower to help FAA controllers distribute runway noise fairly. The Preferential Runway Advisory System was adopted on a trial basis after more than a year of study, planning, and negotiation involving Massport, community groups, the FAA, the airlines and their pilots. Under PRAS, controllers are assisted in making the quietest runway choices consistent with wind, weather, and traffic conditions.

Programming of the \$15,000 computer system is still being refined to insure that no community receives an undue share of airport noise.

Recognizing the continuing efforts of Boston carriers to fly the quietest, federally certified aircraft, Massport honored 15 airlines for 100 percent compliance with current U.S. noise standards. They were: Aer Lingus, AeroStar, Airborne, Air Florida, Air France, American, British Airways, Emery, Federal

Express, Lufthansa, Northwest, PanAm, Republic, Swissair, and United Parcel Service.

Overall compliance with federal noise regulations at Logan grew to 78 percent of all operations by the end of fiscal 1983, 9 points higher than the previous year-end figure.



One-way tolls: Keeping the change.



The red tape that had ensnarled one-way tolls for years was cut on May 2, 1983 when Massport and the Massachusetts Turnpike Authority joined in a one-time toll collections experiment at their bridge and tunnels, respectively.

Initiated by the State Department of Transportation, the experiment was conducted to determine if the flow of vehicles heading to the airport and out of the city to the north could be improved under the new system without imposing unacceptable burdens on the authorities involved.





At Massport's Tobin Bridge, no revenue losses occurred during the 90-day tryout, and traffic crossing the bridge in the no-toll direction experienced a 2-minute time savings on the bridge alone.

At the Turnpike's Callahan Tunnel — the main funnel for airport-bound vehicles — the absence of toll gates shaved up to 6 minutes off the tunnel trip during peak periods, a 70 percent improvement. Clogging of traffic entering the Callahan at the Boston end was virtually eliminated at all but peak times.

Traffic in the tunnel, almost half of which is airport-related, flowed up to 15 miles per hour faster, producing a 10 percent increase in tunnel capacity at peak periods.

Regular users of the bridge and tunnels were nearly unanimous in their praise for the new system. A marketing survey of 1,600 drivers showed 96 percent favored one-way tolls.

In August of 1983, the Boards of Massport and the Turnpike Authority, at the urging of Governor Michael Dukakis, held special sessions and approved permanent adoption of one-way tolls.

At the Massport meeting, Executive Director Davis singled out Board Member John Vitagliano, commissioner of Traffic and Parking for the City of Boston, for his "instrumental role" in promoting and facilitating the change.

Adoption of one-way tolls resulted in no loss of jobs for toll collectors at either crossing, as displaced workers voluntarily accepted positions elsewhere within the authorities.

Central Artery and Tunnel: A new proposal earns Massport's strong support.

"Too many people and too many goods are spending too much time on the Central Artery trying to reach or leave our facilities."

That was the message of Massport's David Davis as he joined State transportation officials in supporting major improvements to Boston's Central Artery as part of a new roadway program including a new harbor tunnel to Logan Airport.

With increasing levels of passenger use and cargo volume at the airport, worsening congestion on Boston's north-south thoroughway is seen as a significant threat to economic growth in greater Boston and the region.

Moreover, major development projects of Massport and the private sector along the Northern Avenue waterfront require a major new access road to prevent commercial vehicles from traveling on nearby residential streets.

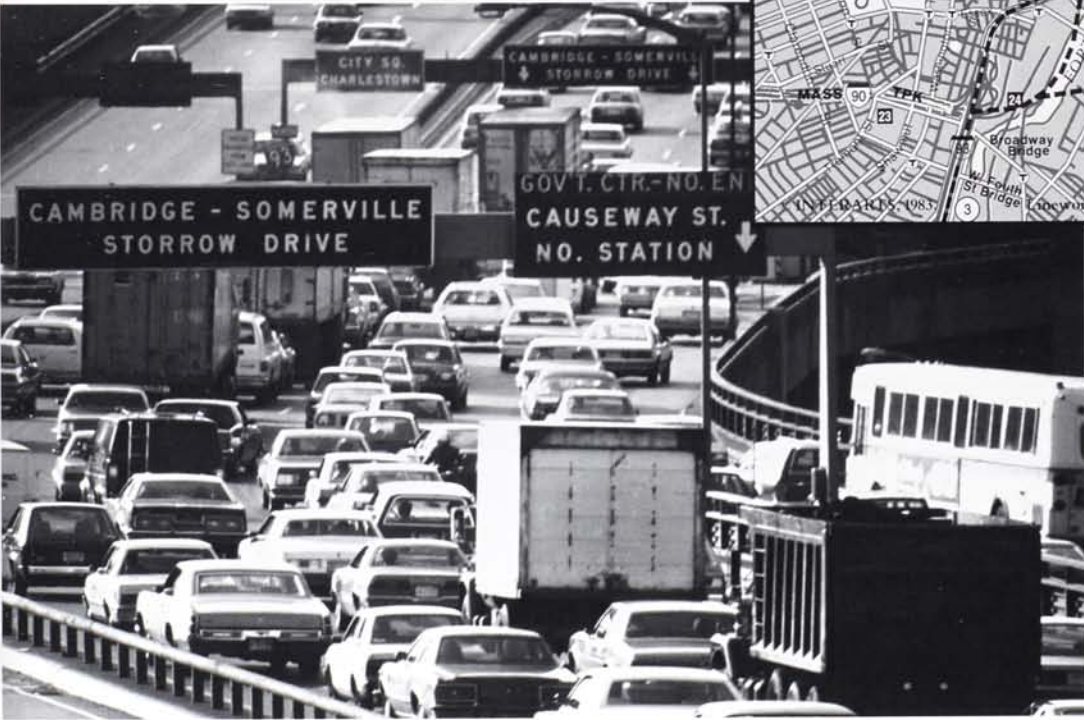
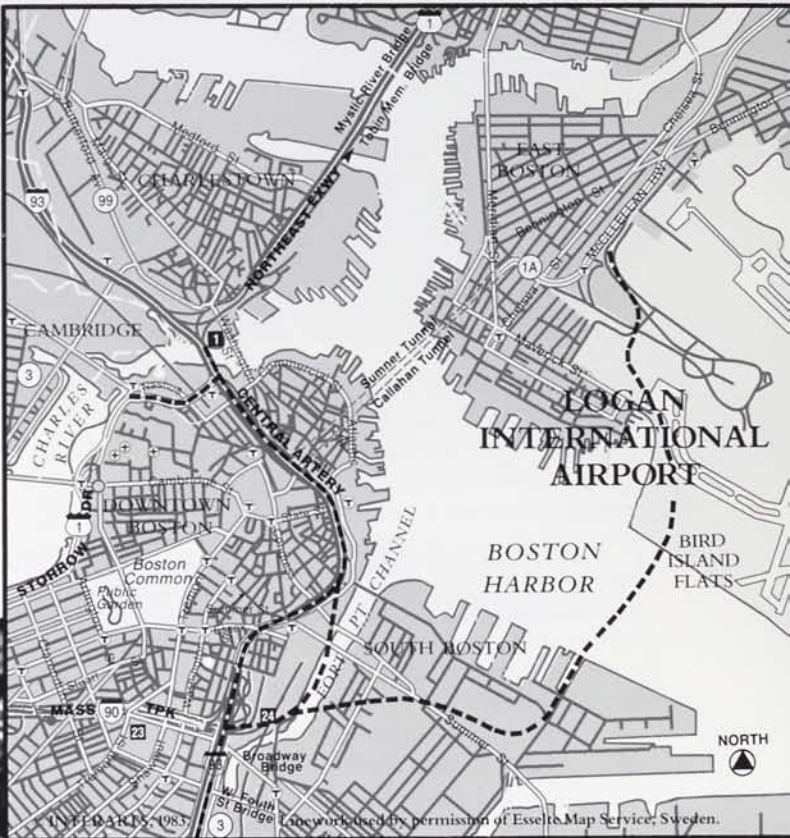
A new tunnel alignment, proposed by the Dukakis Administration, earned Massport's support because it linked the seaport and the airport and required no loss of homes or disruptions to East Boston.



Massport therefore actively supported the new Artery-tunnel and seaport access proposal and committed staff and funds to the environmental impact and planning processes.

The \$2.2 billion project, submitted by the State for 90 percent federal funding, would, if approved, require 5,000 construction workers annually and lead to 10,000 permanent jobs on 20 acres of land covering the new underground Artery.

Completion of the entire project is expected to take 12 years from federal authorization. Transportation analysts predict the new Artery and tunnel will be able to accommodate the region's highway needs well into the 21st century.



The Port of Boston: Massport launches a new course.

In fiscal 1983, Massport continued to expand and modernize its cargo handling terminals in the Port of Boston while launching new management and marketing initiatives to strengthen its standing in the highly competitive seaport container industry.

Massport facilities include: Moran Container Terminal in Charlestown, the largest, busiest container berth in New England; Conley Terminal in South Boston, with berths leased to Sea-Land and Toyota; and Massport Marine Terminal in South Boston, now under construction and used to discharge and store road salt.





While all North Atlantic ports suffered from the sluggish worldwide economy, the Port of Boston held its own. Container volume dipped three percent overall, yet progress continued to be made against the port deficit during fiscal 1983.

Moran Terminal registered modest gains in containers, tonnage, and ship calls. Imported automobiles arriving at the Conley Terminal were up 18 percent; but lumber, reflecting a weak housing market, fell dramatically during fiscal 1983.

In order to hold down costs and step up productivity, Massport decided not to open a new container berth at its Conley Terminal until reasonable staffing levels could be established in negotiations between the shipping association and the unions involved.

The Port of Boston presents Massport with a number of marketing challenges stemming from high, fixed labor costs as well as geography, size, and a declining volume of heavy industrial goods in the region. Nevertheless, Massport is determined to recapture trade leaving the region through other ports — Boston presently handles only 43 percent of all New England oceanborne cargo — by initiating an aggressive marketing program aimed at shippers in the region.

Because its seaport cargo terminals are vital to regional trade and commerce, handling more than 800,000 tons a year valued at \$2.3 billion, Massport will continue to expand and upgrade its container facilities. The Authority is equally committed to insuring that those facilities are managed efficiently and marketed effectively to serve New England shippers.

On the waterfront: Poised for a comeback.



By the end of this century, one billion dollars is expected to be invested in 100 acres of Northern Avenue waterfront between Fort Point Channel and Castle Island.

Massport, the largest landlord in the area, has played the leading role in encouraging private investment in this largely untapped section of South Boston waterfront.

In the wake of redevelopments at Massport's Commonwealth Pier and Boston Fish Pier, a number of private interests are planning new projects, including a major condominium-hotel complex by Anthony Athanas and the Hyatt Corporation, a 4 million square foot office park by Cabot, Cabot and Forbes, and renovation of Boston Wharf Properties by Rose Associates.

When these privately financed projects come off the drawing board, they will be anchored by the largest, multi-use development in Boston Harbor in the last 10 years, BOSCOM.

BOSCOM: Showplace for the information industry.

In July 1983, Massport signed a long-term lease with FMR Properties which permits the Fidelity Group subsidiary to recycle Commonwealth Pier into a major international marketing center for the computer and communications industries.

Aimed at becoming the nation's first sales and exhibition center for information professionals, BOSCOM will, by 1985, provide 500,000 square feet of permanent show-room area and 150,000 square feet of flexible space for conventions, trade shows, special events, and visitor amenities.

In anticipation of the \$150 million renovation, major firms, led by IBM and Xerox, which signed leases for 28,000 square feet of space each, have made commitments for permanent space. While not a retail outlet, BOSCOM is expected to attract one million visitors annually.

By leasing the underused pier to the private sector, Massport is improving its own maritime financial position as it strengthens the Massachusetts economy and stabilizes the Northern Avenue waterfront.

Although the primary economic focus of the site will shift from shipping to marketing, Massport will build new docking facilities on the eastern side of the pier for cruise ships, oceanliners, and a cross-harbor water taxi. A walkway will also be added to provide public access to the Harbor.

***Boston Fish Pier:
Restoration of an old industry passes
the halfway mark.***

Aimed at re-establishing Boston's fresh seafood industry, the \$19 million modernization of the 69-year-old Boston Fish Pier moved past the midpoint in fiscal 1983.

Exterior renovations to the Exchange Building were completed; the pier's original power plant was demolished and replaced by modern, underground utility systems; and more than one-third of the processing area has been upgraded and occupied by processing firms.

Because the pier offers more area than is needed for modern processing, the Exchange Building and the top floors of the East and West buildings are being converted into quality, commercial office space. Rental income will be used to support the cost of maintaining the pier's fishing operations.

Annual pier landings of 23.5 million pounds were supplemented by 35 million pounds of fish processed in Boston but landed at other piers. With Logan Airport shipping some 30,000 pounds of fresh fish daily, the Boston Fish Pier continues to emerge as a national distribution center for New England seafood.



Hoosac Pier: Abiding by the Constitution.

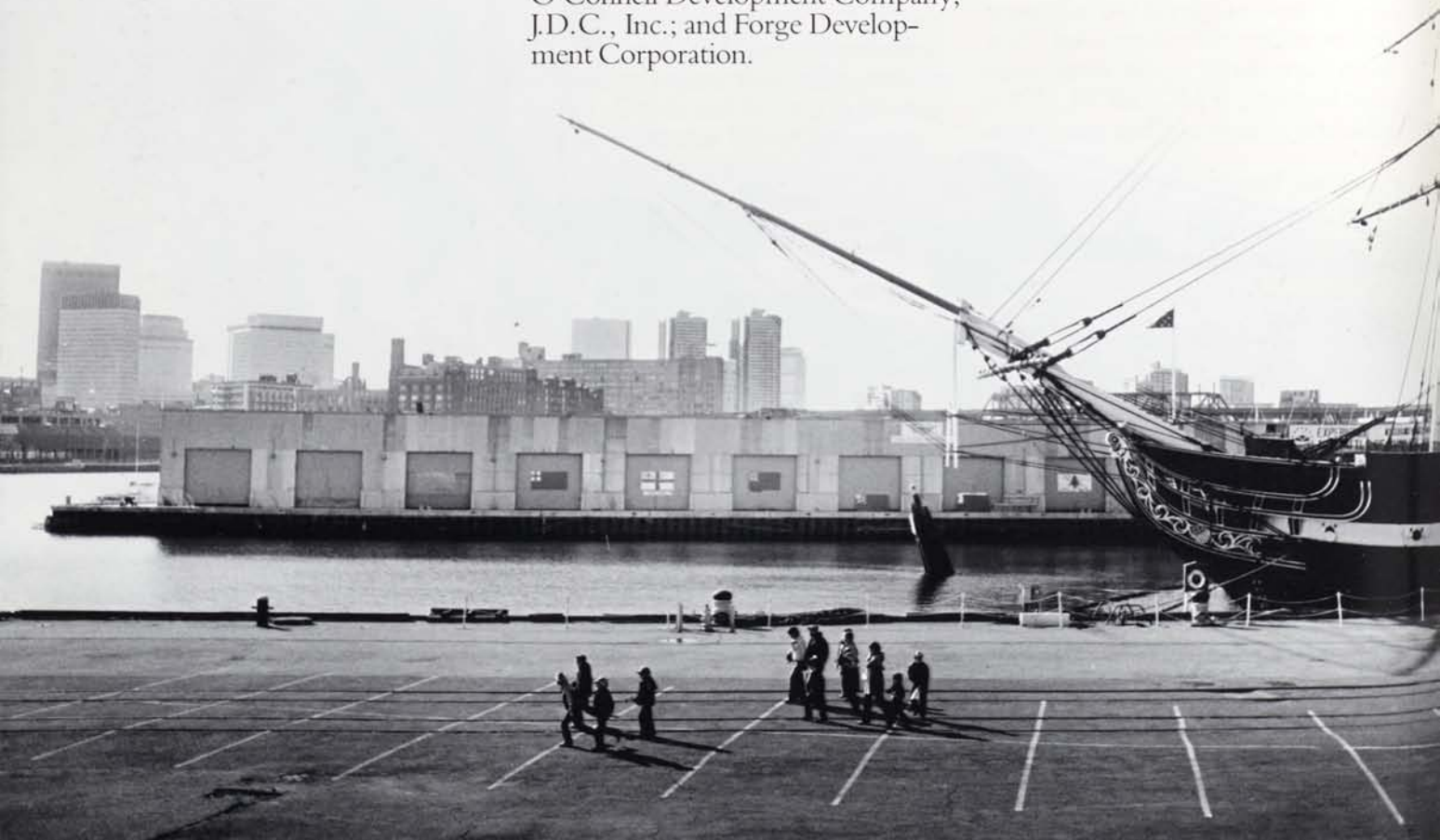
Hoosac Pier, one of Massport's original properties, is about to be transformed from a little-used warehouse into an \$18.5 million office, restaurant, and marina complex on the Charlestown waterfront.

To be called "Constitution Plaza," the reconstructed pier overlooks the historic U.S.S. Constitution warship and will complement the new housing and commercial developments underway at the nearby Charlestown Navy Yard.

In working closely with the neighboring community, the developers and Massport included public access to the waterfront and parking on the wharf as part of the project.

Constitution Plaza is an undertaking of the Hoosac Pier Company, a limited partnership consisting of Corcoran, Mullins, Jennison Company; O'Connell Development Company; J.D.C., Inc.; and Forge Development Corporation.

Construction will begin in the fall of 1983 and reach completion by the spring of 1985. The redeveloped pier will provide employment, commerce, recreation, and Harbor access to the local community, while producing revenues for Massport to invest in other seaport activities.



Hanscom Field: Number Two tries harder.

The second busiest airport in New England is Massport's "second airport," Hanscom Field in Bedford, Massachusetts. Favored by nearby high technology firms, including several Fortune 500 companies, Hanscom's 231,000 operations in fiscal 1983 represented a 6 percent gain in activity.

Stead Aviation, a new fixed base operator, began construction of a new fuel farm and hangar facility, which will offer advanced electronics service for general aviation aircraft.

In line with increasing use and the introduction of scheduled service at the airfield, the Civil Terminal was modernized with a complete renovation of the lobby. Under a Federal Aviation Administration grant of more than \$800,000, a new solar-heated maintenance structure was completed to house state of the art snow removal equipment.

Committed to maintaining the quietest possible operation of an airport surrounded by semi-rural communities, Massport continued an active noise abatement program at Hanscom.

A new computer-aided system of collecting data on the impact of fleet mix and operations on noise was installed; noise abatement procedure manuals were distributed to local



and transient pilots; and Massport officials continued to enjoy productive relations with the Hanscom Field Advisory Commission which represents neighboring communities and airport users.



Officials of the U.S. Air Force, which operates Hanscom Air Force Base adjacent to the Massport facility, are now meeting with the Commission to discuss ways to reduce noise from military aircraft operations.

Massport earns an A+ in financial management.

Standard & Poor's Corporation, a leading municipal investors service, upgraded Massport's financial rating to A+ at the end of fiscal 1983. Only four other airport operators in the nation enjoy this ranking: New York/New Jersey, Oakland, Philadelphia, and Phoenix.

The high marks Massport won for its \$240 million, 1978 revenue refunding bonds confirm the Authority's consistently strong financial performance and reveal a clear confidence in Massport's future growth and stability.

Massport's healthy airport business, combined with continuing diversification of its revenue base and talented management, give the Authority even greater leverage as it promotes economic growth in the state and region.



Landlord for the State.

Massport, which oversees 4,800 acres of airport and waterfront properties, agreed to add the State's new Transportation Building to its management responsibilities.

The Massport Board, pending legislative approval, voted to act as interim manager for the new office-retail structure in Boston's Park Square. By utilizing the services of a flexible quasi public agency such as Massport, the State will gain managerial and financial benefits, while tenants of the building will gain the benefits of resident rather than absentee management.

Due to open in early 1984, the \$91 million, 880,000 square foot Transportation Building will house Massport, the Massachusetts Bay Transportation Authority, the Massachusetts Turnpike Authority, the State Department of Transportation, Department of Public Works, and other State agencies.



The ground floor of the eight-story building will be occupied by restaurant and retail areas to serve tenants and the public.

Sharing the success.

Massport kept its \$500 million development program on course in fiscal 1983. Investments by the Authority and private sector in new and recycled properties will generate a projected 13,000 construction and permanent jobs and produce an estimated \$25 million in new sales and property tax revenues.

Massport also remained the only authority in the state to make voluntary payments to communities affected by its operations. The City of Boston received \$4.6 million in lieu of taxes from Massport in fiscal 1983, making the Authority one of the City's largest sources of revenue. Likewise, the City of Chelsea received \$217,000 and the Town of Winthrop \$143,000.

All told, since Massport began its in lieu program in 1979, the Authority has contributed \$21.7 million to the three municipalities, helping reduce the burdens on their property tax payers and adding to community treasuries weakened by Proposition 2½.

Residents of communities affected by Logan Airport remained well represented in the Massport work force; they constitute 27 percent of the Authority's 745 employees.

Since the adoption of an active affirmative action program in 1976, the participation of minorities and women at Massport has increased sharply. Minority employment went from 2.3 percent in 1975 to 11.1 percent presently, female employment from 11 percent to 22.2 percent. Moreover, 13 percent of Massport's professional and administrative staff are members of minority groups and 25 percent are women.



Special set-aside programs for minority- and women-owned firms have resulted in their earning nearly \$9 million in Massport purchases of goods and services, as well as construction contracts, in the past three years.

The Small Business Export Program, a joint effort of Massport and the Smaller Business Association of New England, has assisted 62 firms in making \$10 million in overseas sales since its inception in 1977. In addition to arranging foreign trade missions for small groups of companies, the Program staff has provided individual assistance on export matters to countless firms.



The Program will be expanded under a \$100,000 grant from the U.S. Department of Commerce, matched by an equal contribution of aid, staff, and support services provided by Massport and SBANE. "Project Export," as the grant program is known, will concentrate on small and medium sized firms with high export potential; marketing efforts will be extended beyond Western Europe to include Southeast Asia, Latin America, and Africa.

The Massport Board



Robert M. Weinberg, Chairman, is a real estate developer in Boston. Term expires 1984.



Dr. Arthur Gelb,* outgoing Vice Chairman, is president of The Analytic Sciences Corporation, TASC, in Reading, Massachusetts. Term expired 1983.



John A. Vitagliano, incoming Vice Chairman, is commissioner of Traffic and Parking for the city of Boston. Term expires 1985.



Charles M. Raso** is business manager of the Bricklayers and Allied Craftsmen Union, Local #3, in Boston. Term expires 1986.

**On November 7, 1983, Dr. Gelb was succeeded on the Board by Miguel A. Satut, executive director of Oficina Hispana. His term expires in 1990.*

***Mr. Raso succeeds Mr. William E. Lyden who resigned from the Board on January 5, 1983. The same day, Governor Edward J. King appointed Mr. Joseph Laffey Jr. to replace Mr. Lyden. On January 6, 1983 Mr. Laffey resigned and was reappointed by outgoing Governor King the same day. On January 7, 1983 Governor Michael S. Dukakis removed Mr. Laffey and appointed Mr. Raso on April 12, 1983.*



Jacquelyn R. Smith*** is partner in Devereux, Smith Associates, conference management specialists, in Lexington, Massachusetts. Term expires 1987.



E. Paul Robsham is president of Robsham Industries, a real estate development firm, in Framingham, Massachusetts. Term expires 1988.



John W. Arata is senior partner with Bowker, Elmes, Perkins, Mecsas & Gerrard, a Boston law firm. Term expires 1989.

The Massport Board consists of seven members appointed by the Governor of Massachusetts to staggered terms of seven years each. Members serve without compensation.

***Ms. Smith succeeds Mr. David S. Paresky who resigned from the Board on January 5, 1983. The same day, Governor Edward J. King appointed Mr. James F. Carlin to replace Mr. Paresky. Mr. Carlin resigned on January 6, 1983. On January 6, 1983 outgoing Governor King appointed Mr. Eric Jostrum to replace Mr. Carlin. On January 7, 1983 Governor Michael S. Dukakis removed Mr. Jostrum and appointed Ms. Smith on January 18, 1983.

Coopers & Lybrand
Independent Certified Public Accountants

Massachusetts Port Authority
Boston, Massachusetts

We have examined the balance sheets of Massachusetts Port Authority as of June 30, 1983 and 1982, and the related statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Massachusetts Port Authority at June 30, 1983 and 1982, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, after restatement for the change, with which we concur, in the method of accounting for compensated absences as described in Note K to the financial statements.

Coopers & Lybrand

Boston, Massachusetts
August 26, 1983

Massachusetts Port Authority

Balance Sheets

June 30, 1983 and 1982

1983 1982
(Dollar amounts in thousands)
(Note K)

Assets

Cash (Note C)	\$ 886	\$ 479
Investments in U.S. Government obligations and certificates of deposit at amortized cost, which approximates market, including accrued interest (Note C)	164,749	161,802
Accounts receivable, less allowance for doubtful accounts of \$436,000 in 1983 and \$399,000 in 1982	10,222	8,604
Prepayments and other assets	4,294	5,168
	<u>180,151</u>	<u>176,053</u>
Investments in facilities (Note D):		
Facilities completed:		
Airports	422,613	408,389
Bridge	57,320	55,061
Port (Note H)	107,338	86,677
	587,271	550,127
Less accumulated depreciation and amortization	(197,400)	(176,714)
	389,871	373,413
Construction in progress	39,242	36,821
Net investment in facilities	429,113	410,234
Total Assets	<u>\$609,264</u>	<u>\$586,287</u>

Liabilities and Fund Equity

Liabilities		
Accounts payable and accrued expenses	\$ 8,657	\$ 11,139
Accrued compensated absences (Note K)	2,379	2,234
Accrued pension cost (Note G)	6,692	6,959
Accrued interest payable	11,564	9,417
Notes payable (Note E)	23,000	23,000
Funded debt (Note F)	285,210	287,820
Total Liabilities	337,502	340,569
Deferred income	1,820	1,752
Contingent liabilities and commitments (Note H)		
Fund Equity (Notes B and C)		
Retained earnings	230,250	208,514
Contributed capital, grants-in-aid of construction	39,692	35,452
Total Fund Equity	269,942	243,966
Total Liabilities and Fund Equity	<u>\$609,264</u>	<u>\$586,287</u>

The accompanying notes are an integral part of the financial statements.

Massachusetts Port Authority **Statements of Income** **for the years ended June 30, 1983 and 1982**

	1983	1982
	(Dollar amounts in thousands) (Note K)	
Revenues (Note B):		
Tolls, fees and sales of services	\$ 53,493	\$ 51,612
Rentals	25,352	24,186
Concessions	29,780	25,781
Income on investments (Note A)	13,881	14,213
Other	881	1,107
Total Revenues	<u>123,387</u>	<u>116,899</u>
Expenses (Note B):		
Operations and maintenance	42,807	44,138
Administration	13,185	12,468
Insurance	1,406	1,348
Pension cost (Note G)	2,797	2,495
Interest (Note A)	17,742	16,561
In lieu of taxes (Note I)	4,981	4,680
Total Expenses	<u>82,918</u>	<u>81,690</u>
Income before depreciation and amortization	40,469	35,209
Depreciation and amortization, including \$2,215,000 in 1983 and \$1,929,000 in 1982 on assets acquired with contributed capital, grants-in-aid of construction	<u>20,948</u>	<u>19,768</u>
Net Income	<u><u>\$ 19,521</u></u>	<u><u>\$ 15,441</u></u>

The accompanying notes are an integral part of the financial statements.

Massachusetts Port Authority **Statements of Retained Earnings** **for the years ended June 30, 1983 and 1982**

	<u>1983</u>	<u>1982</u>
	<i>(Dollar amounts in thousands)</i>	
Retained earnings at beginning of year		\$193,384
Cumulative effect on prior years of accounting change for compensated absences (Note K)		(2,240)
Restated balance at beginning of year	\$208,514	191,144
Net income	19,521	15,441
Add credit arising from transfer of depreciation to contributed capital	2,215	1,929
Retained earnings at end of year	<u>\$230,250</u>	<u>\$208,514</u>

The accompanying notes are an integral part of the financial statements.

Massachusetts Port Authority **Statements of Changes in Financial Position** **for the years ended June 30, 1983 and 1982**

	1983	1982
	<i>(Dollar amounts in thousands)</i>	
	<i>(Note K)</i>	
Funds provided from:		
Net income	\$ 19,521	\$ 15,441
Adjustments for noncash transactions:		
Depreciation and amortization	20,948	19,768
Loss on sale of equipment	19	—
Funds provided from operations	40,488	35,209
Contributed capital, grants-in-aid of construction	6,455	5,693
Increase (decrease) in deferred income and liabilities other than funded debt and notes payable	(389)	840
Issuance of notes payable	—	23,000
Issuance of funded debt	—	55,000
Proceeds from sale of equipment	593	—
Total funds provided	47,147	119,742
Funds applied to:		
Cost of facilities	40,439	40,629
Retirement of funded debt	2,610	2,475
Increase in other assets	744	664
Total funds applied	43,793	43,768
Net increase in cash and investments	\$ 3,354	\$ 75,974

The accompanying notes are an integral part of the financial statements.

Massachusetts Port Authority

Notes to Financial Statements

The Massachusetts Port Authority is a public instrumentality created by an act of the legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

A. Accounting Principles:

The Authority has adopted the generally accepted accounting principles (GAAP) prescribed in an Industry Audit Guide, *Audits of State and Local Governmental Units*, issued by the Committee on Governmental Accounting and Auditing of the American Institute of Certified Public Accountants (Committee) in the preparation of its financial statements.

Facilities are carried at cost, and include the expenditure of Federal Aviation Administration and Economic Development Administration grants-in-aid of construction and the cost of significant renewals and betterments. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning generally in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes interest in accordance with Financial Accounting Standards Board Statement No. 62 which requires the capitalization of interest cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$6,423,000 in 1983 and \$1,789,000 in 1982, reduced by interest income of \$4,411,000 in 1983 and \$839,000 in 1982, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement. (See Note B.)

B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including transfers to the self-insurance account, cash revenues are then transferred to the Port Properties Fund, the 1982 Interest and Sinking Fund, the Maintenance Reserve Fund, In Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.

Massachusetts Port Authority

Notes to Financial Statements,

Continued

B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:

Presented below are the fiscal 1983 and 1982 revenues and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to income before depreciation and amortization as presented in the Statements of Income under GAAP

	Fiscal 1983						Fiscal 1982
(Dollar amounts in thousands)	Port Properties*						(Note K)
	Bridge	Airport Properties	Maritime	Develop-ment**	Investment Income	Combined Total	Combined Total
Revenues:							
1978 pledged revenues	\$6,201	\$39,887	\$ —	\$ —	\$13,899	\$ 59,987	\$ 55,011
Other	—	45,900	16,161	1,357	167	63,585	62,016
	<u>\$6,201</u>	<u>\$85,787</u>	<u>\$16,161</u>	<u>\$1,357</u>	<u>\$14,066</u>	<u>\$123,572</u>	<u>\$117,027</u>
Operating expenses:							
Operations and maintenance	1,972	25,338	13,665	1,813		42,788	44,138
Administration	769	8,458	3,428	530		13,185	12,468
Insurance	188	898	426	139		1,651	1,598
Pension (Note G)	310	2,021	558	175		3,064	2,747
Loss on sale of equipment . .	—	—	281	—		281	—
	<u>\$3,239</u>	<u>\$36,715</u>	<u>\$18,358</u>	<u>\$2,657</u>		<u>\$ 60,969</u>	<u>\$ 60,951</u>
Excess of revenues over operating expenses under Trust Agreement						62,603	56,076
Add: Difference on loss on sale of equipment (loss is greater under Trust Agreement than under GAAP)						262	—
Add: Self insurance cost (expensed under Trust Agreement; not an expense under GAAP)						245	250
Add: Pension cost variance (pension cost is greater under Trust Agreement than under GAAP)						267	252
Less: Payments in lieu of taxes (not an operating expense under Trust Agreement; expensed under GAAP)						(4,981)	(4,680)
Less: Interest on funded debt and notes payable, net of interest capitalized on projects under construction (not an operating expense under Trust Agreement; expensed under GAAP)						(17,742)	(16,561)
Less: Interest income included in pledged revenues (recorded as revenue under Trust Agreement; recorded as reduction of interest expenditures capitalized, not as revenue under GAAP)						(185)	(128)
Income before depreciation and amortization under GAAP						\$ 40,469	\$ 35,209

* None of the revenue from Port Properties is available for debt service other than for interest and principal for all bonds issued for paying the cost and improvements to Port Properties. Under the Enabling Act, the revenue from Port Properties, after certain deductions as defined therein, is to be paid to The Commonwealth of Massachusetts (Note H).

**Development includes the activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.

B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement, continued:

Under the provision of the Trust Agreement all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Fund, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978. All other revenues of the Authority, after payment of operating expenses as provided in the Trust Agreement, and the balance of the pledged revenues, after making provision for payment of current debt service on the 1978 Bonds and the payment of operating expenses, are to be applied to the payment of the current debt service on the 1982 Bonds.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements of the Revenue Refunding Bonds, Series 1978, if pledged revenues are insufficient to provide the debt service requirements in any year. At June 30, 1983, unexpended pledged revenues remaining in fund balances, excluding the 1978 Debt Service Fund, were \$36,448,000.

C. Cash and Investments:

The following summarizes the Authority's cash and investments at June 30, 1983, by the various funds and accounts established under the 1978 Trust Agreement with the Authority's bondholders.

	Cash	Investments	Total
(Dollar amounts in thousands)			
Use defined for specific purposes*:			
1978 Debt Service Fund	\$244	\$ 31,701	\$ 31,945
Operating Fund, including appropriations for self-insurance	100	4,269	4,369
Maintenance Reserve Fund	2	24,727	24,729
In Lieu of Taxes Fund	4	3,153	3,157
Capital Budget Account	521	70,630	71,151
1982 Interest & Sinking Fund	5	7,258	7,263
1982 Construction Fund	7	16,140	16,147
Improvement Note Capital Account	3	6,871	6,874
	<u>\$886</u>	<u>\$164,749</u>	<u>\$165,635</u>

*See also Note B for the amount of unexpended pledged revenues at June 30, 1983.

D. Investments in Facilities and Depreciation:

Investments in facilities at June 30, 1983 and 1982, comprise:

	1983	1982
(Dollar amounts in thousands)		
Facilities completed:		
Land and land improvements	\$ 75,963	\$ 74,193
Bridge and bridge improvements	56,550	54,278
Buildings	315,347	291,127
Runways and other paving	121,333	113,047
Machinery and equipment	18,078	17,482
Accumulated depreciation	(197,400)	(176,714)
	<u>389,871</u>	<u>373,413</u>
Construction in progress	<u>39,242</u>	<u>36,821</u>
	<u>\$429,113</u>	<u>\$410,234</u>

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities — buildings, runways and other paving	10 and 25 years
Port facilities — buildings and piers	25 years
Machinery and equipment	10 years

Massachusetts Port Authority Notes to Financial Statements,

Continued

E. Notes Payable:

The Authority has outstanding at June 30, 1983 short-term notes totaling \$23,000,000 with various maturities up to 360 days and interest rates ranging from 3½% to 5%.

The notes are subordinated to bonds issued under the Authority's 1978 Trust Agreement and to certain other obligations. The notes are collateralized by a pledge, which is subordinated as described above, of all amounts on deposit in the Improvement and Extension Fund including amounts in the Capital Budget Account and Improvement Note Capital Account.

In connection with the issuance of these notes, the Authority obtained a commitment from a financial institution under which it may borrow under a revolving credit agreement up to \$24,000,000 solely for the purpose of paying maturing short-term notes. The Authority is required under the note agreement to borrow under the credit agreement to the extent that it does not have other moneys available to pay the principal and interest on the notes when due. There were no borrowings against this commitment at June 30, 1983.

F. Funded Debt:

Funded debt at June 30, 1983, is comprised of:

(Dollar amounts in thousands)

Maturity on July 1	Revenue Refunding Bonds, Series 1978		Revenue Bonds, Series 1982		Total
	Interest Rate	Amount	Interest Rate	Amount	
Serial bonds:					
1983	5.70%	\$ 2,760	7.75%	\$215	\$ 2,975
1984	5.80	2,935	8.25	230	3,165
1985	5.90	3,105	8.75	250	3,355
1986	6.00	3,300	9.25	270	3,570
1987	6.00	3,505	9.75	300	3,805
1988	6.10	3,720	10.25	330	4,050
1989	6.20	3,955	10.60	360	4,315
1990	6.30	4,000	10.90	400	4,400
1991	6.40	4,265	11.20	450	4,715
1992	6.50	4,545	11.40	495	5,040
1993	6.60	4,840	—	—	4,840
1994	6.70	5,165	—	—	5,165
1995	6.80	5,520	—	—	5,520
1996	6.80	5,905	—	—	5,905
1997	6.90	6,305	—	—	6,305
		63,825		3,300	67,125
Term bonds:					
1993–1997	—	—	12.25	3,580	3,580
1998–2002	—	—	12.75	6,605	6,605
1998–2012	7.125	166,385	—	—	166,385
2003–2013	—	—	13.00	41,515	41,515
Total funded debt		\$230,210		\$55,000	\$285,210

See Note B for revenues pledged as security for the 1978 Bonds and available for the 1982 Bonds.

G. Pension Costs:

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs determined as of July 1, 1973, over a 25-year period commencing in fiscal 1974. Total pension expense so determined was \$2,797,000 in fiscal 1983 and \$2,495,000 in fiscal 1982.

The accumulated plan benefits and plan net assets at January 1, 1982 and 1981, are as follows:

	1982	1981
Vested . . .	\$24,774,131	\$20,870,773
Nonvested .	869,484	964,411
	<u>\$25,643,615</u>	<u>\$21,835,184</u>
Net assets available for benefits . . .	<u>\$15,589,427</u>	<u>\$11,208,975</u>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%.

H. Contingent Liabilities and Commitments:

Payments to The Commonwealth of Massachusetts for Port Facilities:

As consideration for the Port Properties acquired from the Commonwealth on February 17, 1959, the Authority is required by the Enabling Act to pay annually to the Commonwealth an amount contingent upon cash revenues from the Port Properties for the preceding fiscal year exceeding certain related cash expenditures until the Authority has paid an amount as defined in the Enabling Act. At June 30, 1983, the amount contingently payable to the Commonwealth, not reflected in the financial statements,

aggregated \$17,850,000. Included in investments in facilities are payments of \$899,000 made to the Commonwealth for these Port facilities.

Cash expenditures from these properties exceeded related revenues by \$6,288,000 in fiscal 1983, which amount has been added to such prior years' deficiencies of \$54,857,000. The cumulative cash deficit of \$61,145,000 is to be applied against future Port Properties net revenues before payments are required in future years.

Contractual Obligations for Construction:

Contractual obligations for construction were approximately \$61,494,000 at June 30, 1983.

I. In Lieu of Taxes:

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments aggregating approximately \$4,900,000 to these cities, of which \$3,900,000 is subject to annual adjustment through 1988 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from fiscal 1988 through fiscal 1993, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payments to the Commonwealth (see Note H), payment of operating expenses, deposits to the 1982 Interest and Sinking Fund, and the deposits to the Maintenance Reserve Fund.

Massachusetts Port Authority Notes to Financial Statements,

Continued

J. Litigation:

On January 23, 1982, a DC-10 aircraft operated by World Airways, Inc., carrying 209 passengers and crew ran off the end of runway 15R into Boston Harbor while landing at the Airport. The accident resulted in considerable damage to the aircraft as well as numerous claims of injury. Two passengers remain missing and are presumed to be fatalities. To date 23 lawsuits have been filed by passengers naming the Authority as a direct defendant along with World Airways. In addition, World Airways has filed a Third-Party Complaint against both the Authority and the Federal Aviation Administration (FAA) in eleven other cases as well as a separate direct complaint against the same defendants. The Third-Party Complaint in one of these cases as well as the direct complaint filed by World Airways seek \$75,000,000 in damages as a result of damage to and loss of use of the aircraft in question as well as indemnification or contribution from both third-party defendants for any sums World Airways is obligated

to pay to passengers for personal injuries. In the other ten cases in which the Authority has been joined as a third-party defendant indemnification or contribution are the only remedies sought by the third-party plaintiff. The Authority has filed appropriate responsive pleadings denying all liability and containing appropriate cross claims. In addition to the lawsuits, 21 claims arising out of this incident have been filed with the Authority to date.

The Authority's airport liability insurance policies in effect at the time of the incident consist of: (1) a primary policy with limits of \$3 million for property damage and \$5 million for bodily and personal injury and (2) an excess liability policy with a combined single limit of \$100 million. Although the outcome of this litigation cannot be predicted with certainty, based upon their investigation and preliminary analysis of the asserted claims the Authority's litigation counsel retained by its primary insurer believe that the Authority has meritorious legal and factual defenses to each of the cases and claims asserted to date. In addition, such counsel believe that existing levels of insurance (both primary and excess) are likely to be adequate to meet any liability on the part of the Authority for such claims. Although it is unable to predict the nature or amount of additional claims that may be asserted against the Authority in the future as a result of this incident, the Authority believes that existing levels of insurance are likely to be adequate to meet any liability on its part for all claims arising out of this incident. Accordingly, the Authority does not expect that these matters will require amounts to be paid, if any, which in the aggregate will have a material adverse effect on its financial condition.

K. Change in Accounting Principles:

During 1983, the Authority changed its method of accounting for earned but unused vacation and sick leave benefits to comply with National Council on Governmental Accounting Statement 4, "Accounting and Financial Reporting Principles for Claims and Judgements and Compensated Absences." Under this accounting method, the Authority accrues compensated absences expected to be paid at later dates. Previously the Authority's policy was to expense such amounts when paid. Accordingly, accrued liabilities, retained earnings, and operations and maintenance expense for fiscal 1982 have been retroactively restated in these financial statements. The effect of the change on net income for fiscal 1982 was an increase of approximately \$6,000.

Massachusetts Port Authority Properties & Performance, FY 83

Gross revenues,
Authority-wide \$123.4 million

Net revenues \$62.6 million

(Does not include in lieu of
tax payments, interest on
funded debt, or depreciation)

Logan International Airport

Total passengers 16.9 million

Domestic 14.9 million

International 2.0 million

Total cargo and mail 544.2 million pounds

Compliance with FAR, Part 36

federal noise standards 78 percent

Hanscom Field, civilian

Total operations 231,000

Port of Boston general

cargo terminals 817,200 tons*

Value \$2.3 billion

Moran Container Terminal 507,668 tons

Containers handled 42,372

Conley Terminal 309,533 tons*

Containers handled 14,846*

Imported automobiles 75,388 vehicles

Tobin Memorial Bridge

Total vehicle crossings 26.6 million

Boston Fish Pier

Fish processed 35.2 million pounds

Fish landed 23.5 million pounds

Commonwealth Pier

Under development as BOSCOM,
leased to FMR Properties

Hoosac Pier

Under development as Constitution Plaza,
leased to Hoosac Pier Associates

*Includes berth leased to Sea-Land

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